

Message Text

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PAGE 01 CANBER 04547 130341Z
ACTION EB-08

INFO OCT-01 AF-10 EUR-12 EA-10 ISO-00 CIAE-00 COME-00
GSA-02 INR-10 NSAE-00 TRSE-00 AID-05 OMB-01 STR-07
/066 W

-----037502 130352Z /14

P R 130243Z JUN 78
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC PRIORITY 3517
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY GABORONE
AMCONSUL JOHANNESBURG
AMEMBASSY KINSHASA
AMEMBASSY LONDON
AMEMBASSY LUSAKA
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY SUVA
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: EMIN, AS
SUBJECT: AUSTRALIAN COBALT SITUATION

REF: A) STATE 145925, B) 76 CANBERRA A-023,
C) 76 CANBERRA A107 (ALL NOTAL)

1. NO PREVIOUS REPORTING ON COBALT EXCEPT AS IT RELATES TO
NICKEL PRODUCTION. REPORTS ON QUEENSLAND NICKEL LTD (QNL)
(REF B), AND WESTERN MINING CORPORATION (WMC) (REF C), MAY
BE OF INTEREST. FOLLOWING IS INFORMATION ON AUSTRALIAN
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COBALT DEMAND/SUPPLY SITUATION.

2. CONSUMPTION: IN 1977, ABOUT 30 TONNES WERE CONSUMED
CONSISTING OF 18 TONNES OF COBALT OXIDE FROM EZ INDUSTRIES
IN HOBART, 5 TONNES OF COBALT ALLOYS AND 7 TONNES OF
COBALT OXIDES AND HYDROXIDES ALL FROM CANADA. CONSUMPTION
GENERALLY RANGES BETWEEN 25-30 TONNES YEAR TO YEAR.

3. STOCKS: NO STOCKPILING POLICY. COBALT IS EXPORTED AS SOON AS AN ORDER IS FILLED.

4. PRODUCTION: IN 1977 ABOUT 900 TONNES OF COBALT-NICKEL-SULPHIDE WAS PRODUCED AT QNL AND 100 TONNES OF COBALT-NICKEL-SULPHIDE AT WMC. NO REFINED COBALT IS PRODUCED FOR EXPORT. PRODUCTION IN 1978 MAY BE LESS THAN 1977 BECAUSE OF REDUCED PRODUCTION FROM WMC. THERE ARE NO PLANS FOR EXPANDED COBALT PRODUCTION AT QNL, BUT WMC IS INVESTIGATING THE POSSIBILITY OF EXPANDING COBALT PRODUCTION. EZ INDUSTRIES' OUTPUT WILL ALWAYS BE MINIMAL AS COBALT PRODUCTION THERE IS NOTHING MORE THAN A "METALLURGICAL CURIOSITY." QNL'S GREENVALE NICKEL MINE DOES CONTAIN RICH POCKETS OF COBALT THAT ARE NOT CURRENTLY BEING MINED IN EFFORTS TO GET AT THE HIGHER GRADE NICKEL ORE. IF QNL MADE THE DECISION TO MINE HIGHER GRADE COBALT ORES, IT IS CONCEIVABLE THAT 1,200-1500 TONNES OF CONTAINED COBALT COULD BE MINED. FURTHER, IF QNL DECIDED TO GO ALL OUT FOR COBALT AT THE EXPENSE OF NICKEL, OUTPUT COULD REACH 2,000 TONNES OF CONTAINED COBALT. IN THE CASE OF WMC, CURRENT OUTPUT OF 100 TONNES PER YEAR IS LIKELY TO DECLINE BECAUSE THE COMPANY HAS BEEN HIGH GRADING THE KAMBALDA NICKEL MINES AND THIS PRACTICE CANNOT CONTINUE INDEFINITELY. WMC IS LOOKING AT A WAY TO UPGRADE THE COBALT CONTENT OF THE NICKEL ORE IN HOPES OF ENTICING MORE CUSTOMERS TO BUY NICKEL FROM WMC. ALSO
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WMC IS INVESTIGATING THE POSSIBILITY OF EXTRACTING MORE COBALT FROM THE PYRITES REJECTED FROM THE REFINING PROCESS. CURRENTLY THE PYRITE TAILINGS CONTAIN 8 PERCENT COBALT.

5. PRICES: COMPANIES WILL NOT RELEASE PRICE DATA, EXCEPT THAT WMC SAID IT GETS MOST OF THE FREE MARKET PRICE IN SELLING ALL ITS PRODUCT TO SHERRIT GORDON IN CANADA. QNL SELLS ALL ITS COBALT TO JAPAN UNDER CONTRACT.

6. GOVERNMENT POLICIES: GOA HAS NO POLICY RELATIVE TO THE PRODUCTION AND SALE OF COBALT OTHER THAN GRANTING ROUTINE EXPORT APPROVAL FOR THE SHIPMENTS.

7. COMPANY ALLOCATION POLICIES: NO COMPANY ALLOCATION POLICIES OTHER THAN THE FACT THAT ALL WMC OUTPUT GOES TO SHERRIT GORDON AND ALL QNL PRODUCTION GOES TO JAPAN.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINING, COBALT, TRAVEL REPORTS, ATTACHES, STOCKPILES, PRODUCTION DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 13 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CANBER04547
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780246-0105
Format: TEL
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780667/aaaacfhf.tel
Line Count: 111
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7a6b498a-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 145925, 76 CANBERRA A-23
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2379479
Secure: OPEN
Status: NATIVE
Subject: AUSTRALIAN COBALT SITUATION
TAGS: EMIN, NC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7a6b498a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014